MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210 & TERM ID 2215)

PBF0014 – INTRODUCTION TO PERSONAL FINANCE

(All sections/Groups)

13 FEBRUARY 2023
9.00 a.m. -11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SEVEN** pages with **FOUR** questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Structured Questions (100 Marks)

QUESTION 1

	Loan Maturity (in months)				
Interest	6	12	18	24	30
13.00%	173.04	89.32	61.45	47.54	39.22
13.25%	173.17	89.43	61.56	47.66	39.34
13.50%	173.29	89.55	61.68	47.78	39.46
13.75%	173.41	89.67	61.80	47.89	39.58
14.00%	173.54	89.79	61.92	48.01	39.70
14.25%	173.66	89.80	62.03	48.13	39.82
14.50%	173.79	90.02	62.15	48.25	39.94
14.75%	173.91	90.14	62.27	48.37	40.06
15.00%	174.03	90.26	62.38	48.49	40.18

Table 1: Monthly Installment Loan Tables ($1,000 loan with interest payments compounded monthly)

a) Harry plans to buy new electrical appliances for his new house. He approaches a finance company that can give instalment loan for his purchase. He agrees with an instalment plan of an 18-month, 15% instalment loan for $20,000 using simple interest method.

REQUIRED:
Based on **Table 1**, prepare a repayment loan schedule for the first **THREE (3)** months for Harry. Use the following template. (Copy and write in the answer booklet) Please show calculations.

Repayment loan schedule

Month	Starting Balance	Total monthly payment	Interest monthly payment	Principle monthly payment	Ending Balance
1					
2					
3					

(15 marks)

Continued...

b) Please match the correct keyword to corresponding definitions.

Keyword	Definitions
1. Traditional charge account	(a) a credit card issued by a bank or large corporation, generally a Visa or Mastercard.
2. Single-Purpose Cards	b) do not offer revolving credit and require full payment of balance each month. • Interest-free grace period. • Issuers receive annual fee and merchant's discount fee. • American Express, Diners Club, and Carte Blanche are the primary issuers.
3. CCRIS(Central Credit Reference Information System.)	c) Can be used to make purchases or get services only at the issuing company such as utility companies and doctors who provide services and bill later. • Convenient for both issuer and payee. • Pay monthly bill in full or pay interest/fee.
4. Travel and entertainment cards	d) can be used only at a specific company. • Companies issue their own cards to avoid merchant's discount fees. • Terms vary, some offer revolving credit. • Typically, no annual fee.
5. Bank Credit Cards	e) Owned and operated by BNM to facilitate credit risk management among banks.
EXAMPLE: 6. **Bank Card Variations**	**EXAMPLE:** **(f) different classes (credit levels) of bank credit cards.** **a. Premium or Prestige card** **b. Affinity card** **c. Secured credit card**

Continued...

ANSWER (Copy and write in the answer booklet)

b)

1. _____
2. _____
3. _____
4. _____
5. _____

EXAMPLE

6. **(f)**

c) Tiara is considering taking a single payment loan of RM50,000 for 4 years and the interest rate is 5%. Calculate the Annual Percentage Rate (APR) using the **"Discount Method".** (Show all calculations)

(5 marks)

(Total 25 marks)

QUESTION 2

Part A

a) Name **THREE (3)** choices available for buying a car. (3 marks)

b) Ratna is considering buying a car that cost her RM100,000. After making a 10% down payment, she chooses to loan the balance from a bank with a hire purchase rate of 5% per annum. She decided to make an instalment loan for 60 months. Based on the scenario, answer the following (based on add-on-method):

i) Calculate the total interest charged for the loan amount. (3.5 marks)

ii) What is the sum of the total loan and interest? (2 marks)

iii) How much does Ratna need to pay for monthly instalment? (2 marks)

iv) How much will be owed on the car after 3 years? (2.5 marks)

Continued...

Part B

a) Please match the correct keyword to corresponding definitions. (5 marks)

Keyword	Definitions
1. Fully-flexi (Flexi loan)	(a) Payment is made over a set of tenure by installments. A portion of each installment paid goes towards servicing the interest, while the remainder goes towards paying down the principal.
2. Semi-flexi	(b) principal amount, tenure and profit rate determines the "sale price" and the profit earned by the lender. Like conventional financing, payments are deferred over installments.
3. Basic term	(c) A housing loan that comes with fixed repayment schedule. Does not allow you to reduce your loan interest with advance payment. Any additional payment make is merely treated as pre-payment for future instalments.
4. Conventional loan	(d) A home loan enabling borrowers to make advance payment. Any additional amount you repay is automatically used to reduce the principle loan amount.
5. Islamic financing	(e) Enabling borrowers to make advance payment and withdraw the additional payments they've made whenever they like. Loan installment is automatically deducted from your current account. Depositing additional sum of money into the account enable to offset the principal loan amount and reduce the interest.
EXAMPLE: **6. Floating rate**	**EXAMPLE:** **(f) floating interest rate is based on a Reference Rate (e.g., BR, BFR, OPR, KLIBOR) that can change over the duration of the loan.**

ANSWER (Copy and write in the answer booklet)

1. _____
2. _____
3. _____
4. _____
5. _____
6. **(f)**

Continued...

b)

	Monthly Loan Installment (RM)
Car loan	500
Housing loan	1,700
Personal loan	800
Study Loan	300

Based on the above table, please calculate

i) The total monthly loan commitments (3 marks)

ii) The "Debt to Income ratio". Please explain your answer (4 marks)

(Total 25 marks)

Continued...

QUESTION 3

Part A

a) Julia and her sister, Anne work in a private sector. Julia is 28 years old and she earns RM3,000 while her sister who is 43 years old earns RM7,000 monthly. They contributed to Employment Insurance System (EIS).

REQUIRED

i. Calculate the EIS total contribution monthly for Julia. (3 marks)
ii. Calculate the EIS total contribution monthly for Anne. (4 marks)
(Show all calculations)

b) The table below details specific thing that happened to Jeffry during the year.

	What happened?	Which insurance would cover this? Give one.
1	Jeffry got sick due to dengue fever and warded in hospital. Without insurance, the medical cost was RM15,000.	
2	Jeffry tripped and fell on raised sidewalk while running and had to get stiches in the emergency room. Without insurance, the procedure cost RM500.	
3	Jeffry's car was skidded due to slippery road during heavy rain when driving home from work. He was not hurt, but the damage to his car was RM6,000.	
4	Jeffry met with an accident when driving to his hometown. He was badly injured with broken arms and legs.	
5	Jeffry poked his eyes while gardening at his backyard. He went to the eye doctor when his eyes became red and swollen. The doctor treated and prescribed him medicine. Without insurance the total cost was RM1,000.	

REQUIRED

For each of the incident above, identify which insurance should be covered? Suggest only **ONE (1)** for each. (5 marks)

Part B

a) Give the **TWO (2)** tips when using digital investment platform. (2 marks)

b) What are the **FIVE (5)** risks of Digital Investment. (5 marks)

c) For each of the investments below, identify whether it is "Lending Investments or "Ownership Investments"?

(6 marks)

Continued...

	Investments	"Lending Investments" or "Ownership Investments"
1	Tina has Savings account with CIMB Bank	
2	Tina placed RM100,000 in her Fixed Deposit accounts.	
3	Tina rented out her shoplot to 99 Speedmart	
4	Tina's house in Kuala Lumpur is rented by her brother	
5	Tina bought common stock from Bursa Malaysia	
6	Tina bought government's bond for RM50,000	

(Total 25 marks)

QUESTION 4

Part A

a) Briefly explain the **TWO (2)** types of fundamental retirement plan for the Malaysian workforce. (4 marks)

b) List down **FIVE (5)** types of partial withdrawal under EPF account (5 marks)

Part B

a) Explain the **THREE (3)** main services which are provided free of charge by the Agensi Kaunseling dan Pengurusan Kredit (AKPK).

(4 marks)

b) William has recently lost his job due to company restructuring. His total debt is amounting to RM200,000. He is unable to pay his debt for more than one year. What are the financial consequences that William is facing if he didn't take immediate actions to overcome his financial problems. What are the **FOUR** (4) things that a person is legally barred from doing if they are made a bankrupt?

(5 marks)

c) List **FIVE (5)** tips on how to avoid financial trouble. (5 marks)

(Total 25 marks)

End of Paper